

State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

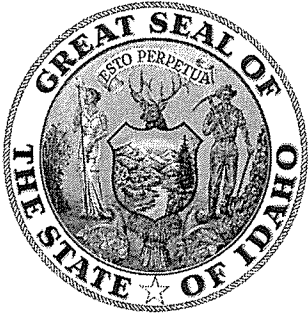
DEPARTMENT OF FINANCE

FY 2006, 2007, and 2008

Report IC25008

Date Issued: June 1, 2009

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

Idaho Legislative Services Office
Legislative Audits Division

DEPARTMENT OF FINANCE

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Department of Finance covering the fiscal years ended June 30, 2006, 2007, and 2008. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the office.

FINDINGS AND RECOMMENDATIONS

There are no findings and recommendations in this report or in the prior report.

A copy of this report is available at <http://www.legislature.idaho.gov/audit/auditsummaries.htm> or by calling 208-334-4832.

AGENCY RESPONSE

The Department has reviewed the report and is in general agreement with its contents.

FINANCIAL INFORMATION

The following financial data is for informational purposes only.

DEPARTMENT OF FINANCE – FISCAL YEAR 2008

	State Regulatory Fund 0229	Public Instruction Fund 0325	Custodial Fund 0630	Total
Beginning Cash Balance	\$11,851,948	\$53,945	\$11,870	\$11,917,763
Receipts	10,748,933	0	185,600	10,934,533
Disbursements	5,088,887	49,967	98,034	5,236,888
Statutory Transfers Out	<u>5,489,698</u>	<u>0</u>	<u>0</u>	<u>5,489,698</u>
Ending Cash Balance	<u>\$12,022,296</u>	<u>\$3,978</u>	<u>\$99,436</u>	<u>\$12,125,710</u>

This report is intended solely for the information and use of the State of Idaho and the Department of Finance and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Gavin Gee, and his staff.

ASSIGNED STAFF

Chris Farnsworth, CPA, Managing Auditor

J.E. Bowden, CPA, Staff Auditor

Brian Butkus, Staff Auditor

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AGENCY RESPONSE



IDAHO
DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

May 1, 2009

Don Berg, CGFM, Division Manager
Legislative Audits
LEGISLATIVE SERVICES OFFICE
P O Box 83720
Boise ID 83720-0054

RE: Fiscal Year 2006-2008 Audit Report

Dear Don:

The Department has reviewed the Fiscal Year 2006-2008 Management Report on Internal Controls conducted by your office. There were no findings or recommendations contained in the report and the report concluded, "We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the office." We hereby accept the audit report and its conclusion.

It was a pleasure working with you and your staff and I especially want to thank Managing Auditor Chris Farnsworth, CPA, J. E. Bowden, CPA, and Brian Butkus for their cooperation and professionalism throughout the course of their work.

Sincerely,

GAVIN M. GEE
Director of Finance

DIRECTOR'S OFFICE

Director - Gavin M. Gee

800 Park Boulevard, Suite 200, Boise, ID 83712

Mail To: P.O. Box 83720, Boise ID 83720-0031

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APPENDIX

HISTORY

The Department of Finance was created by the Idaho State Legislature in 1905. It is a department of the executive branch of State government, headed by a director appointed by the Governor and subject to Senate confirmation.

The Department administers the following 22 regulatory statutes:

- Idaho Bank Act
- Idaho Credit Code
- Idaho Bank Holding Company Act
- Idaho Mortgage Company Act
- Idaho Interstate Banking Act
- Idaho Collection Agency Act
- Idaho Interstate Branching Act
- Idaho Uniform Securities Act
- Idaho International Banking Act
- Idaho Residential Mortgage Practices Act
- Idaho Trust Institutions Act
- Business Combination Act
- Idaho Savings Bank Act
- Control Share Acquisition Act
- Business and Industrial Development Corp. Act
- Idaho Commodity Code
- Endowment Care Cemetery Act
- Idaho Credit Union Act
- Continuing-Care Disclosure Act
- Idaho Money Transmitters Act
- Idaho Escrow Act
- Idaho Financial Fraud Prevention Act

The Department has broad discretionary authority to charter and regulate the activities of banks, bank holding companies, credit unions, and savings and loan associations. The Department examines the books, records, and operations of these institutions, to evaluate the quality of an institution's assets, operations, and management, to determine what actions the State will take to ensure the safety of funds belonging to Idaho citizens. A copy of the Department's organizational chart follows this appendix.

The Department is the licensing authority for regulated lenders, collection agencies, retail sellers of goods and services extending credit to their customers, securities issuers, broker/dealers, salespeople, investment advisers, money transmitters, endowed care cemeteries, continuing care providers, and mortgage lenders and brokers.

Licensing and regulation of these activities include the review of securities offerings to ensure full disclosure, and the examination of books, records, and business practices for compliance with State and federal laws, rules, and regulations. The Commodity Code gives enforcement authority to detect and prevent commodity scams. The Department issues rulings when corporations attempt to acquire control of publicly-held Idaho corporations by purchasing a controlling number of equity securities.

Until January 1985, the Department was funded by a General Fund appropriation, except for a minor amount received from the Dedicated Cemetery Fund. Beginning January 1, 1985, the legislature directed that various General Fund fees collected be deposited in the Department's dedicated Finance Administrative Fund. It also eliminated the Cemetery Fund and directed its proceeds to be deposited in the Department's Dedicated Fund. This allowed the Department to be funded from the various fees it collects.

At this time, the legislature also added Idaho Code, Section 67-2702, requiring money in the Finance Administrative Fund that exceeded the current year's appropriation (plus any residual encumbrances) by 25% or more, to be transferred to the General Fund.

STATUTORY AUTHORITY

The Department operates primarily under the following sections of the Idaho Code:

Idaho Banking Laws	26-101 through 26-1815 and 26-2601 through 26-2613
Idaho Credit Union Act	26-2101 through 26-2188
Idaho Credit Code	28-41-101 through 28-49-107
Idaho Collection Agency Law	26-2221 through 26-2251
Idaho Securities Act	30-14-101 through 30-14-703
Idaho Endowment Care Cemetery Act	27-401 through 27-424
Idaho Business and Industrial Development Corporation Act	26-2701 through 26-2732
Idaho Trust Institutions Act	26-3201 through 26-3609
Idaho Continuing Care Disclosure Act	26-3701 through 26-3715
Idaho Business Combination Law	30-1701 through 30-1710
Idaho Control Share Acquisition	30-1601 through 30-1614
Idaho Commodity Code	30-1501 through 30-1520
Idaho Mortgage Company Act	26-2801 through 26-2811
Idaho Money Transmitters Act	26-2901 through 26-2928
Idaho Residential Mortgage Practices Act	26-3101 through 26-3117
Idaho Public Depository Law	57-101 through 57-145
Idaho Department of Finance	67-2701 through 67-2749
Idaho Financial Fraud Prevention Act	67-2750 through 67-2762
Idaho Escrow Act	30-901 through 30-935

FUNDING

STATE REGULATORY FUND 0229 – The State Regulatory Fund is the primary fund utilized by the Department. Fund sources include various fees assessed to the participants working in the financial industry. The Department uses the fees to cover the cost of regulating the financial industry in Idaho.

PUBLIC INSTRUCTION FUND 0325 – The Securities Investor Education and Training Fund was established as part of the Uniform Securities Act of 2004. All civil penalties and administrative fines, up to \$50,000, collected pursuant to the Act are deposited into the fund. The money is to be used for investor education and training.

CUSTODIAL FUND 0630 – The Custodial Fund was established to enable the Department to account for restitution amounts owed to consumers harmed in conjunction with acts administered by the Department. The Department deposits restitution money into the fund, and then makes disbursements to the correct individual or entity.

DEPARTMENT OF FINANCE

FISCAL YEAR 2009

December 2008

